

May 5, 1960

MEMORANDUM FOR THE FILE

On April 13, 1960, Messrs. Abbadessa, Pahl and I met with Col. L. K. White, Deputy Director for Support, Central Intelligence Agency, and his associates to discuss the progress of our preliminary review at Central Intelligence Agency, which to date indicates that we might not have sufficient access to records to make a reasonably satisfactory comprehensive audit. Mr. Pahl has prepared a more complete memorandum on this meeting, which memorandum is on file in his office at Central Intelligence Agency.

The discussions of CIA representatives may be summarized as follows.

1. That access to any matters having to do with covert operations would be denied under their interpretation of the Director's letter to the Comptroller General dated October 16, 1959, and the reply by the Comptroller General dated October 21, 1959.
2. Under this interpretation we would have no access to the organization responsible for the covert activities, nearly complete access to the interpretive and similar activities, and access only in part in the Support area.
3. Col. White suggested we concentrate our review on the interpretive and similar activities, at least at the outset (not acceptable to me since our prime objective is to determine whether we can make a comprehensive-type audit).
4. Limit our staff to about three or four members.
5. Bureau of the Budget representatives, in review of budgets, have more extensive access than we will have because they are a part of the Executive Branch and therefore denial to us is essentially "executive privilege".

*under collection
interpretation*

In conclusion, we will continue our preliminary reviews to determine whether we can make a comprehensive-type audit at Central Intelligence Agency. For this purpose one additional staff member will be assigned to work with Mr. Pahl. At such time as we make a determination more definitive objectives will be reached.

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A. T. Samuelson

A. T. Samuelson
Director, Civil Accounting
and Auditing Division

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April 20, 1960

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Mr. Samuelson stated that he understood that there appeared to be substantial differences in opinion as to the extent of the limitations placed on the audit by the Director of Central Intelligence. He stated it was his understanding that GAO would have access to the organizational structure of the entire Agency, and to the policies, procedures, and practices of the entire Agency, but that any verification work would have to be restricted to the so-called "vouchered" side of the house.

Colonel White advised that it has always been the CIA intent that GAO would not have any access to the clandestine services or the activities of the support units that are in support of the clandestine services. GAO access to the organizational structure of the Agency and to the Agency policies, procedures and practices would be limited essentially to those activities that are paid out of "vouchered" funds, or to activities that support activities that are paid out of "vouchered" funds.

Mr. Saunders stated that the CIA was constantly striving to place as much of the expenditures on the "vouchered" side of the house as possible and that there were many contracts such as for certain radio equipment that are charged against "unvouchered" allotments, but are paid on the "vouchered" side of the house. CIA would have access to these payments and the related contracts, but would be precluded from checking the requirements, delivery and use aspects of the procurement actions.

Mr. Samuelson described in general terms the usual audit approach that is made by GAO, and stated that the limitations that CIA has placed on the audit has created many problems. A general discussion of the GAO audit approach followed.

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Colonel White stated that his concept of an expansion of the GAO audit would be to make a comprehensive audit of the activities under the direction of the Deputy Director for Intelligence (DDI). He stated that basically the GAO voucher audit had been limited to DDI expenditures. At the time of the agreement to attempt to expand the GAO audit, Colonel White's thinking was that GAO would expand from a voucher basis to a comprehensive basis in the same DDI area that had been previously subject to audit. He suggested that we might want to consider this approach rather than the present approach through the support areas (DDS) under his direction.

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Colonel White stated that in the present audit approach GAO has selected the most limited area that we will have access to in CIA. In reality GAO is trying to expand its audit into and "unvouchered" area, because the activities of the support units under his direction are principally in support of the clandestine activities, or the Office of Communications. Although GAO could examine the policies and procedures under which such procurement takes place, practically all of the contracts entered into for these two groups could not be examined by GAO.

Colonel White gave a quick rundown of the DDI organization, including the functions and numbers of personnel involved, and he expressed the opinion that GAO would have almost complete access to the DDI activities -- perhaps as much as 99 percent of the DDI operation could be examined in the course of the GAO audit.

Mr. Samuelson stated that to attempt a survey and comprehensive audit of the DDI area would require a rather substantial audit staff. He stated further that he didn't know whether it would be advisable to staff the audit to such an extent when there were such substantial questions as to the audit contribution that might be made under the present audit restrictions. He stated that initially he had planned to assign a somewhat larger staff than just Mr. Pahl, but that with the present interpretation on the audit access, the complexion of things had changed.

Colonel White stated that it was his hope that for security reasons the GAO audit staff would be kept relatively small - say to three or four men - and the staff would not be changed. He cited the CIA experience with the Bureau of the Budget. The Bureau has limited their personnel involved in the formulation and execution of the CIA budget to two or three people of relatively high calibre and these people have remained on the assignment without change.

Mr. Samuelson stated that consideration would be given to the audit of DDI, but initially we would proceed in the area we are presently in in the Office of Logistics. He stated that we would certainly have to obtain more knowledge of the support activities before attempting any review of the DDI activities. Colonel White stated that CIA would be pleased to have GAO make this approach, but he reiterated that, because we would be in areas where the activities are almost wholly in support of clandestine activities, CIA officials would have to constantly raise the "red flag" where our audit touched on the sensitive clandestine activities.

In connection with the clearance of additional GAO personnel for assignment to the audit staff at CIA, Colonel White advised that the clearance would be greatly expedited where the person already had had a full field investigation and clearance such as is entailed in the granting of the AEC "C" clearance. Without such prior clearance, Colonel White estimated that it would take three months or longer to obtain the clearance.

Mr. Abbadessa stated that in the audit of a Government Agency GAO placed reliance, where possible, on the work of the internal audit staff of the Agency. He enquired whether the work of the CIA internal audit staff would be available for review and evaluation by GAO. Colonel White stated that just about the entire effort of the CIA audit staff under [REDACTED] has been in the area of clandestine activities, and that therefore their working papers and reports would not be available for GAO review. In the audit of support activities such as procurement, the internal auditors review, tests, and reporting would not be segregated as to sensitive and non-sensitive activities, and, therefore, could not be available for GAO review.

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Mr. Samuelson advised that in approaching the audit of the CIA he wanted to determine the extent to which we would be permitted to audit so that no one would misunderstand the scope and extent of the audit. He stated further that if called upon by the Kilday Committee he would have to advise of the severe limitations on the audit. Colonel White stated that CIA has spoken with the Committee from time to time in general terms of the GAO audit of CIA activities, and the Committee has always understood that CIA would not permit GAO access to the clandestine activities.

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[REDACTED] advised that the Agency regulations setting forth the policies of the Office of Logistics had been reviewed, cleared and made available to Mr. Pahl. Colonel stated that there were three or four instances in these regulations that dealt with policies and procedures of clandestine activities, but that none had been withheld. He stated that he would rather that we have the whole package with the understanding that we could go no further with those dealing with clandestine activities. He stated further that the remaining issuances of Agency regulations would be reviewed and made available to the GAO audit staff to the extent that security will permit.

Eugene L. Pahl
Supervisory Accountant

Sec. 5 of CIA Act of 1949 requires
BoB approval of funds transfers to CIA, and
in this area Col White agreed also that
BoB had access but the BoB access was
of limited depth.

X Abbadessa asked if BoB has
same arrangement as [REDACTED] - in access
to clandestine activities. Col White
stated that BoB had access, &
that we know why we didn't, - because
BoB is in executive branch of
Govt & we aren't.